



Legislative Fiscal Bureau

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December 17, 2013

TO: Senator Chris Larson
Room 206 South, State Capitol

FROM: Bob Lang, Director

SUBJECT: Federal Funds

At your request, this memorandum identifies federal funds that have been granted to the state, but turned back to the federal government since December, 2010. It also provides estimates of the number of individuals whose salaries would have been funded during the grant period.

1. Broadband Technology Opportunities Program (BTOP) Grant. In July, 2009, the U.S. Department of Commerce issued a notice of funds availability for the Broadband Technology Opportunities Program (BTOP), to make grants available for deploying broadband infrastructure in unserved or underserved areas; provide broadband access, awareness, training, equipment, and support to community anchor institutions (such as schools, libraries, and medical facilities), organizations and agencies serving vulnerable populations, or job-creating strategic facilities that are located in economic development areas; improved broadband access to public safety agencies; and to stimulate demand for broadband, economic growth, and job creation. The Department of Administration (DOA) requested a BTOP grant and was awarded a \$22,978,367 grant in March, 2010. On June 23, 2010, the Joint Committee on Finance approved the use of these funds along with \$5,744,592 of matching funds for expanding fiber optic networks in 82 schools (including eight technical or community colleges) and 385 library facilities. On February 11, 2011, the DOA Secretary notified the BTOP director that the Department would be declining the grant, noting that it could not overcome technical issues in order to implement the expansion.

The application submitted for the grant references 150 full-time equivalent contract jobs associated with the broadband grant.

2. High-Speed Rail. Under the federal American Recovery and Reinvestment Act of 2009, the state applied for and was awarded a grant of \$810 million for the capital costs of establishing a new, high-speed passenger rail service between Milwaukee and Madison. However,

in December, 2010, then Governor-Elect Walker indicated his opposition to the project. In response, Governor Doyle suspended work on the project. The Federal Railroad Administration (FRA) withdrew \$795 million of the \$810 million, allowing the state to retain \$15 million for costs already incurred.

Because the project would have been funded with 100% federal funds, it would have generated employment in the state that, with suspension of work, will no longer occur. In submitting its application for the rail project, DOT developed an estimate of the number of jobs that would be associated with the project. This estimate was similar to employment estimates used for other infrastructure projects, in that it included direct employment for construction and engineering (both by state staff and consultants), as well as employment generated by suppliers, and induced employment. Induced employment is jobs that are created by the "multiplier" effects associated with consumer spending by persons employed as the result of the project (either directly on the project or by suppliers). That is, in a period when there is slack in consumer demand, the injection of funds into the local or state economy results in some amount of consumer spending that would not otherwise occur in that economy, which, in turn, creates additional employment.

To develop the estimates for the Milwaukee to Madison project, the Department utilized an econometric model that includes multiple inputs designed to take into account the type of spending (i.e. construction, design, equipment, etc.) as well as underlying conditions in the economy. According to the Department's estimates, jobs would have been created over a six-year period, although most of the impact would have been felt in the second and third years, after which point the route would have been ready to be put into service at a maximum speed of 79 miles per hour. After that point, additional employment would have been generated as additional improvements were implemented to accommodate a maximum speed of 110 miles per hour. The following table shows the estimate of the number of jobs by year, separated by direct jobs (construction, engineering, and supplier industries) and induced jobs. In DOT's application, the first year corresponds to 2010, although since the project would have been started somewhat after that time, the calendar years do not match up with the project years. Not all of the jobs included in the estimate would have necessarily occurred in Wisconsin, since some of the supply industries may be located in other states and some consumer spending that creates induced employment could have occurred outside the state. Also, as is customary for estimates of the employment impacts of infrastructure projects, the amounts in the table are expressed in job-years. That is, each job-year is equivalent to a full-time position held for a one-year period. Consequently, a job that lasts for two full years would be counted in two project years in the table.

<u>Project Year</u>	<u>Direct Jobs Estimate</u>	<u>Induced Jobs Estimate</u>	<u>Totals Jobs Estimate</u>
1	1,100	181	1,281
2	3,483	577	4,060
3	4,732	803	5,535
4	1,542	305	1,847
5	483	138	621
6	167	83	250

The job estimates shown in the table above were the estimated direct and indirect employment impacts associated with the construction of the project. The figures do not include any estimate of jobs that would have been associated with the ongoing operation of the service (train attendants, maintenance workers, etc.). Based on information provided by Amtrak, the Department had estimated that the service would have supported approximately 55 jobs. However, unlike the employment impacts associated with the construction project, the spending that ultimately supports these positions would not have necessarily be injected into the state's economy from the "outside." That is, at least a portion of both the ticket revenue and state support would be money that would have otherwise been spent within the state on other purposes, which could also generate employment. Therefore, the ongoing jobs associated with the operation may have simply taken the place of other jobs.

The employment estimates associated with the project also did not take into consideration any jobs that may have been generated as the result of establishing a transportation service that does not currently exist. The presence of passenger rail service to Madison may have attracted visitors or business to the state that would have not otherwise occurred. However, it would be difficult to estimate these impacts, since some of the visitors and business may occur in the state even without the service (utilizing different transportation modes) and some may have simply been redistributed from other parts of the state.

3. Health Insurance Exchange Early Innovator Grant. The federal Patient Protection and Affordable Care Act (PPACA), enacted in March, 2010, included provisions to establish health benefits exchanges to facilitate the purchase of qualified private health insurance plans, beginning on January 1, 2014. The legislation set up a system by which states would establish and operate these exchanges, with the federal government operating the exchange in any state that did not make sufficient progress towards establishing an exchange by January, 2013. The U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) awarded "early innovator" grants to seven states, including Wisconsin, to develop the necessary information technology (IT) needed for state operation of the exchanges. The IT infrastructure developed using this grant funding was intended for transfer to other states for use in those states' exchanges. Wisconsin received a grant award of \$37,757,266 in February, 2011, and the Department of Health Services (DHS) began work on developing the exchange IT infrastructure.

As part of this same grant, but in addition to the \$37.8 million federal grant amount, the state was awarded \$10,354,183 to fund changes to the state's Medicaid management information system so that it could interact with the state's exchange. This component required the state to commit \$1,175,521 of state funds, and a separate update to the advance planning document related to this system.

On January 19, 2012, the DHS Secretary and the Commissioner of Insurance sent a letter informing CMS that the state would "discontinue all exchange activity effective immediately." This will include returning the early innovator grant funds, and ending work on the development of IT for the exchange. The Department has drawn or claimed \$4.8 million of these funds.

In its December, 2010, grant application, DHS provided estimates of the hours of work that

would be performed by state and contracted staff to establish the IT infrastructure for the exchange. These estimates were provided for each year over a four-year period, from 2010 through 2013. In total, DHS estimated that 453,230 hours of work would need to be completed during the four-year period -- 9,090 hours in 2010, 234,768 hours in 2011, 180,751 in 2012, and 28,621 in 2013. Of the total number of hours identified in the application, 338,300 hours (75%) would be performed by Deloitte, LLP for the development and implementation of the system, at an estimated rate of \$104 per hour. However, it is not known whether all of the work performed by the contracted entities, (Deloitte and HP), would be performed by workers in Wisconsin. Based on the number of hours identified in the DHS grant application, and assuming that each worker would perform 1,700 hours of work per year, it is estimated that the number of full time equivalent positions that would be used to perform this work would be approximately 5.3 in 2010, 138.1 in 2011, 106.3 in 2012, and 16.8 in 2013.

4. Consumer Assistance Grant. PPACA also provided grants to states to establish or improve consumer assistance programs that provide information and answer questions regarding health care or health insurance. In October, 2010, Wisconsin received \$637,114 to support consumer assistance activities performed by the Office of the Commissioner of Insurance (OCI) and by ABC for Health, a nonprofit public interest law firm and advocacy organization. OCI terminated the PPACA consumer assistance program grant in February, 2011, stating that it believed that the grant duplicated existing services and was not necessary. In the original grant application to the federal government, of which approximately half of the requested funding was approved, OCI anticipated 6.0 positions at OCI and 4.25 positions at ABC for Health would be supported by these funds.

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